



**COUNTY OF LOS ANGELES
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April 7, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Acting Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY OFFICE OF EDUCATION COUNTY
CONTRACT REVIEW – A DEPARTMENT OF PUBLIC SOCIAL
SERVICES CalWORKs SUPPORT SERVICES PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative County contract review of Los Angeles County Office of Education (LACOE or Agency), a Department of Public Social Services (DPSS) CalWORKs Support Services Program (CalWORKs) provider.

Background

DPSS contracts with LACOE, a regional education agency to provide and operate the CalWORKs Support Services Program. The services include counseling, guidance, training related assessments, workforce readiness, career awareness/exploration and job retention activities to assist participants in obtaining and retaining employment. LACOE subsequently subcontracted with 13 school districts and regional occupational program centers to provide direct program services. LACOE's program sites are located in all Supervisorial Districts.

LACOE was compensated on a cost reimbursement basis and had a contract for approximately \$680,000 for Fiscal Year 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether LACOE complied with its County contract and appropriately accounted for and spent CalWORKs funds in providing the

services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients or their parents/guardians.

Results of Review

The Agency's staff possessed the appropriate qualifications and the program participants interviewed stated that the services they received from LACOE generally met their expectations. However, LACOE did not maintain adequate documentation in 24 (69%) of the 35 case files reviewed to support the program activities and hours billed to DPSS. Subsequent to our review, LACOE provided documentation to support program activities for 19 of the 24 case files reviewed.

Generally, LACOE's expenditures were allowable and properly documented. However, LACOE did not provide adequate documentation to support \$5,333 in subcontractor payroll costs.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with LACOE on March 12, 2008. In their attached response, LACOE management concurred with our findings and recommendations. We notified DPSS of the results of our review.

We thank LACOE for their cooperation and assistance during this review. We will follow up our recommendations during next year's monitoring review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Darline P. Robles, Ph.D, Superintendent, Los Angeles County Office of Education
Nancy Whittenton Wagner, Ed.D., Director Career and Workforce Development,
Los Angeles County Office of Education
Public Information Office
Audit Committee

**CalWORKs SUPPORT SERVICES PROGRAM
LOS ANGELES COUNTY OFFICE OF EDUCATION
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether the Los Angeles County Office of Education (LACOE) provided services to individuals that met the eligibility requirements of the CalWORKs Support Services Program (CalWORKs).

Verification

We visited seven program sites and reviewed the case files for 35 (4%) of the 803 program participants that received services between October and December 2006 for documentation to confirm their eligibility for CalWORKs services.

Results

LACOE maintained appropriate documentation to support the participants' eligibility to receive program services.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether LACOE provided the services in accordance with the County contract. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 35 participants that received services during October, November and December 2006. We also interviewed ten program participants.

Results

The program participants interviewed stated that the services they received from LACOE met their expectations. However, LACOE did not maintain adequate

documentation in 24 of the 35 (69%) participants' case files reviewed. For example, the case files did not always include documentation for the services provided such as case notes, logs and sign-in sheets. Subsequent to our review, LACOE provided appropriate documentation for 19 of the 24 cases.

Recommendation

1. **LACOE management ensure that staff maintain appropriate documentation in the participants' case files to support the services provided.**

STAFFING QUALIFICATIONS

Objective

Determine whether LACOE's staff possessed the qualifications required by the County contract.

Verification

We reviewed the personnel files for six LACOE and two subcontractor employees to confirm staff qualifications.

Results

The employees possessed the required employment eligibility verification, training, reading, writing and speaking requirements identified in the County contract.

Recommendation

There are no recommendations for this section.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's financial records and deposited timely in the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank reconciliations for October, November and December 2006.

Results

LACOE maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 18 non-payroll expenditure transactions billed by LACOE and the subcontractors from October through December 2006, totaling \$17,251.

Results

Generally, LACOE's expenditures were allowable. However, LACOE did not provide adequate documentation to support \$5,333 in subcontractor payroll costs. The subcontractor did not submit timekeeping records or other documentation to support the hours billed.

Recommendations

LACOE management:

2. Repay DPSS \$5,333.
3. Maintain adequate supporting documentation for expenditures billed to the CalWORKs Program.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LACOE's fixed assets and equipment purchased with DPSS funds are used for the CalWORKs Program and are adequately safeguarded.

We did not perform test work in this section as LACOE did not use DPSS funding to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the CalWORKs Program. In addition, determine whether personnel files are maintained as required.

Verification

We interviewed LACOE management and traced the payroll expenditures invoiced for six employees totaling \$17,641 for October 2006 to LACOE's payroll records and time reports. We also interviewed six employees and reviewed their personnel files.

Results

LACOE appropriately charged payroll expenditures to the CalWORKs Program. In addition, LACOE's personnel files were properly maintained.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether LACOE's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed LACOE's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from October through December 2006 to ensure that the expenditures were properly allocated to the appropriate program.

Results

LACOE appropriately billed \$11,254 in shared administrative costs to DPSS based on the federally approved rate. However, the Agency did not record the amount in their general ledger. In addition, LACOE over allocated \$558 in support services costs by using the budgeted estimate instead of the actual costs incurred.

Subsequent to our review, LACOE recorded the shared administrative costs to the general ledger and adjusted the support services billed to reflect actual costs incurred.

Recommendation

4. LACOE management ensure that indirect costs are allocated and recorded according to the Cost Allocation Plan and the County contract.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Years (FY) 2005-06 final close-out invoices reconciled to the Agency's financial accounting records.

Verification

We interviewed LACOE personnel and reviewed their policies and procedures manuals.

Results

LACOE's final close-out invoice for FY 2005-06 reconciled to the Agency's financial records.

Recommendation

There are no recommendations for this section.



Los Angeles County Office of Education

Leading Educators • Supporting Students • Serving Communities

Garfin P. Flores, Ph.D.
Superintendent

March 25, 2008

Los Angeles County
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Mr. J. Tyler McCauley
Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Dear Mr. McCauley:

Audit Response: LOS ANGELES COUNTY OFFICE OF EDUCATION- A DEPARTMENT OF PUBLIC SOCIAL SERVICES CALWORKS SUPPORT SERVICES PROGRAM PROVIDER

Our office has received the draft copy of the results of your findings during a fiscal review for the Los Angeles County Office of Education (LACOE), a Department of Public Social Services (DPSS) CalWORKs Support Services Program (CalWORKs) Provider. We have carefully reviewed your findings and responded to each one of your recommendations as shown below.

Recommendation:

LACOE management:

1. Ensure that staff maintains appropriate documentation in the participants' case files to support the services provided.

LACOE's Response:

The documentation provided for all 24 cases was consistent with the requirements recommended by the former DPSS contract monitor and incorporated in the job coach checklist provided to you during the audit. However, we will work with the current contract monitor to ensure adequate documentation in the participants' case files as recommended.

Recommendation:

LACOE management:

2. Repay DPSS \$5,333.
3. Maintain adequate supporting documentation for the expenditures billed to the CalWORKs Program.

Mr. J. Tyler McCauley
March 25, 2008
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LACOE's Response:

LACOE worked with the subcontractor to address this concern but unfortunately, the subcontractor in question will not or can not provide additional documentation to support the payroll hours that were billed. LACOE is working with the subcontractor to process the revision of the cost report and \$5,333 repayment to DPSS. We will continue to review and refine our internal control protocols, working with the new contract monitor to ensure that subcontractors maintain adequate supporting documentation for expenditures billed.

Recommendation:

LACOE management:

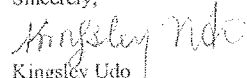
4. Ensure that indirect costs are allocated and recorded according to the cost allocation plan and the County contract

LACOE's Response:

This is more of a timing issue than anything else. To meet our reporting/billing deadline LACOE invoices DPSS based on estimated cost and prior to reporting to DPSS reconciles with Actuals and makes necessary adjustments as verified during your audit. As discussed during the exit interview, this will continue to be the case, however, we will review our business processes with the intent of improving the reconciliation time table by performing quarterly reconciliation to Actual.

If you have any questions, please contact me at (562) 803-8207

Sincerely,



Kingsley Udo
Financial Operations Team Leader
Grants Project Management
Controller's Office

KU/SM:ele

cc: Ms. Patricia Smith, Controller
Ms. Nancy Whittenton-Wagner, Ed.D, Director Career and Workforce Development